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DIRECTORATE OF
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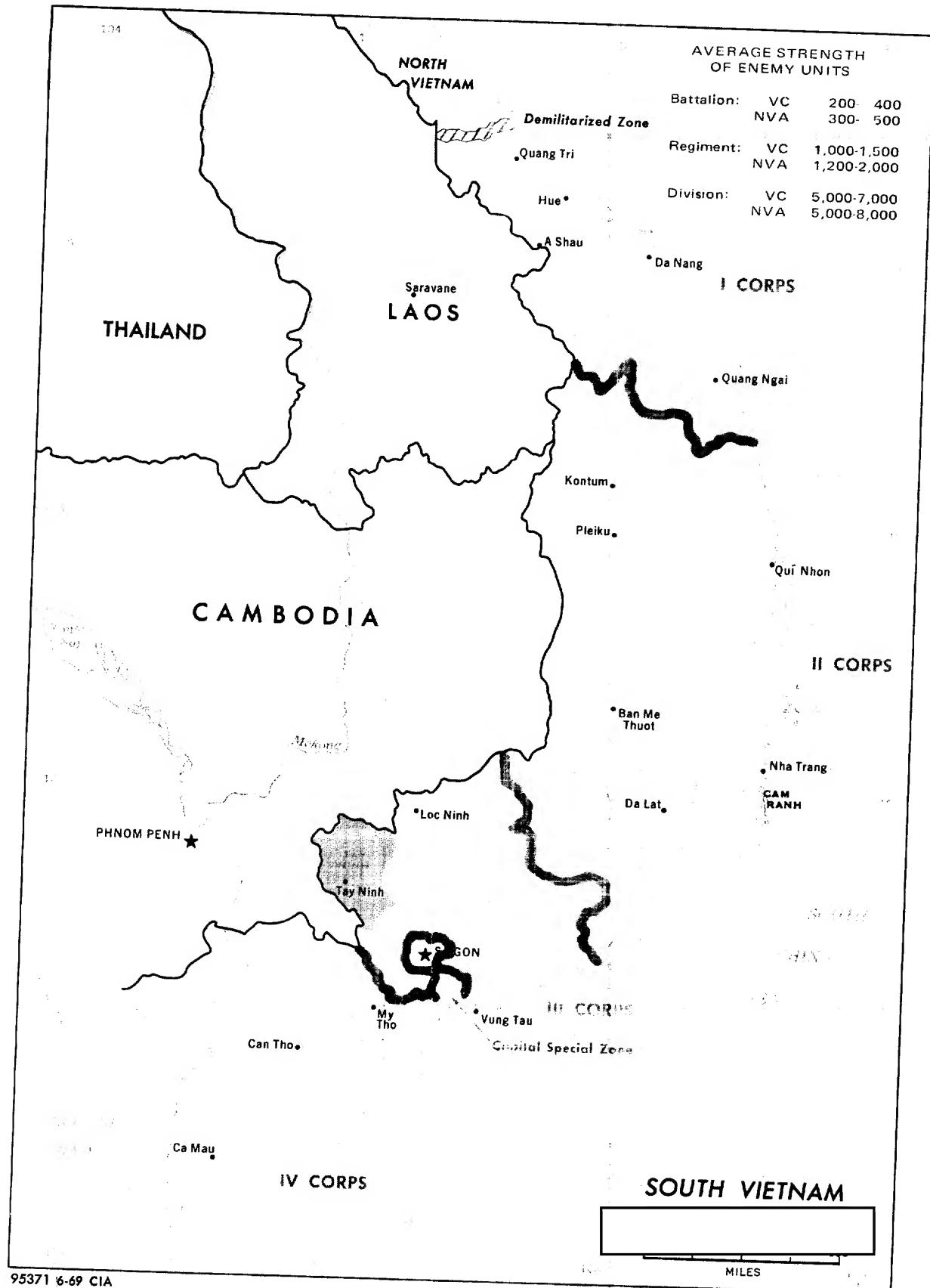
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C South Vietnam: A small two-company force demonstrated considerable staying power in an attack on the provincial capital of Tay Ninh.

The attack started early on 19 June in the northeastern sector of the city and at last report was still in progress. Defending South Vietnamese forces have been reinforced and provided additional air and artillery support. Preliminary reports on losses are inconclusive.

On the same day, the Communists struck a nearby US artillery position with a heavy mortar attack and a follow-up ground probe, and engaged allied units in three other areas within seven miles of the city. The action on 19 June is probably an opener, and the fighting in this province may well intensify over the next few weeks.

Sharp fighting also broke out in other parts of the country on 18-19 June--in the northern provinces, III Corps, and the delta. Much of this increased activity was enemy initiated and may represent the opening thrust of a new Communist offensive surge.

* * * *

Discussions of ways and means of admitting the Communists into the election process in South Vietnam are increasing in Saigon legislative circles. A recent "think session" of leaders of two of the country's most powerful political groups was focused on this issue, [redacted]

[redacted] One possibility which was discussed was the organization of a mixed electoral commission which would include the Communists, the present]

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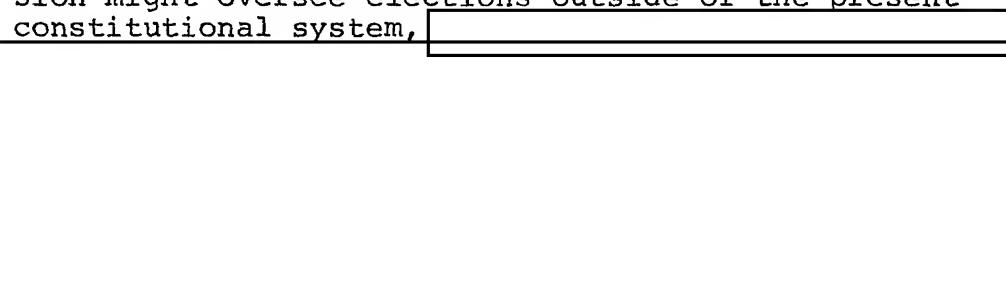
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government, and some "neutralists." Such a commission might oversee elections outside of the present constitutional system,

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Laos: Heavy rains have brought a lull in the ground war but government forces are planning new initiatives.

Communist forces appear to be moving into a defensive posture after what proved to be a relatively restrained dry season offensive. For several weeks enemy forces have been consolidating their hold over portions of southern Xieng Khouang Province since they had lost to government guerrillas in late April. There have been tenuous signs that some North Vietnamese forces are being withdrawn from Laos as part of the routine wet season operational standdown, but so far most of the troops that entered the country last fall are still there. The burdens of mounting overland military operations in the monsoon season probably will cause the Communists to refrain, as they have in past years, from any substantial military initiative over the next several months.

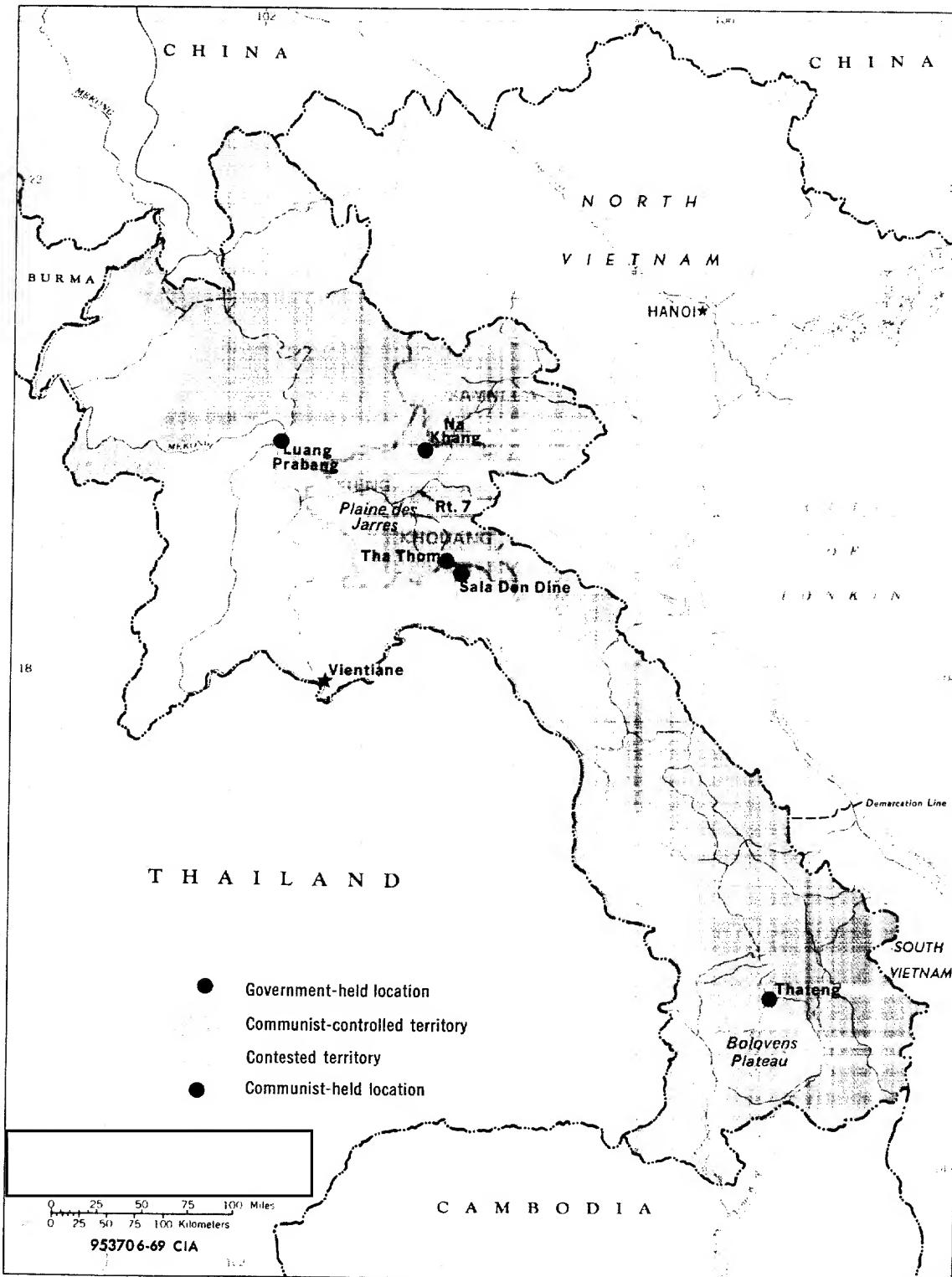
Meanwhile, elements of three government battalions have recently taken Sala Den Dine in preparation for an assault against Tha Thom, a supply center that the Communists captured last year. Farther north, Meo leader Vang Pao intends to extend government holdings near the Plaine des Jarres and increase harassment against Route 7. Vang Pao's preoccupation with this area apparently rules out any early effort to re-establish the government's presence in tribal areas farther north.

Except for inroads in the northeast, the Communists brought neither substantial new territory nor greater numbers of people under their control during their dry season operations. The exodus of large numbers of a progovernment tribal population from the northeast, combined with the loss of Na Khang, an important government staging base, will,

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LAOS: Current Situation



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however, add significantly to the government's increasing difficulties in operating behind the enemy's lines in Samneua Province. In the south, Thateng, on the northeastern edge of the Bolovens Plateau, was the only important government position to fall into enemy hands this year.

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Peru: The next move in the dispute over expropriation of the International Petroleum Company's holdings is expected in a few days.

Prime Minister Montagne has told US Ambassador Irwin in New York that the Ministry of Mines and Energy is ready to announce its decision on the administrative appeal filed by the International Petroleum Company for adjustment of the debt it allegedly owes the state. He said the company will then have 15 days to appeal the decision to the President.

Montagne suggested that Ambassador Irwin return to Peru in the near future to renew talks aimed at finding a practical solution to the problem. Both President Velasco and the foreign minister have stated, however, that discussions cannot continue if conditions are imposed, and otherwise have maintained their adamant positions against compensation for the expropriated property.

Velasco recently remarked that his government now has its own "amendments" for use if the US imposes economic sanctions. He said that under his "amendments" the US fishing industry, US sugar producers, and other selected US targets in Peru would bear the brunt of the sanctions.

As a possible prelude to implementing this plan, the government is making a detailed study of all US businesses and installations in Peru. The reason given US businessmen for this action is that the companies can then be protected from any anti-American outbreaks.

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Rhodesia: Today's referenda will give Prime Minister Ian Smith the approval he needs to declare Rhodesia a republic and to introduce a new constitution that ensures continued white minority rule.

The Rhodesian Front will win because most whites are certain to vote to preserve "responsible" white rule, but its margin of victory probably will not be as great as it earlier anticipated.

A recent poll, based on a limited sampling of the predominantly white electorate, indicated that many voters were still undecided. A significant minority apparently are unsure that Rhodesia needs a new constitution and are apprehensive about breaking completely with Britain. It is on this uncertainty that the Front's weak opponents have been able to capitalize with some success.

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[redacted] the Front has played increasingly in the last few days on traditional white fears of black majority rule to bolster its flagging campaign.

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Meanwhile, negotiations are continuing in the UN Security Council on a resolution on Rhodesia. The Afro-Asian states are pushing for a much tougher resolution than the Western countries are willing to accept. Consequently, there may be no compromise forthcoming on Rhodesia until after the referenda.

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Finland: The Social Democratic Party (SDP) at its recent congress heeded Soviet hints that certain right-wing candidates for the post of party secretary would be unacceptable, and selected Kalevi Sorsa, a political unknown.

The secretaryship of the SDP, Finland's largest party and a member of the government coalition, became vacant when the incumbent was kicked upstairs into the managing directorship of the Finnish State Broadcasting Company after alienating most of the party faithful by advocating radical leftist and pro-Soviet policies. Sorsa, a Ministry of Education bureaucrat, has not been active in the party. Although he is said to be from the party's left wing, he is believed to be more moderate than his predecessor and thus was acceptable to the party congress.

The party's policies calling for greater cooperation with the Communists and for accommodation of the Soviet Union, adopted earlier in the decade, were unchallenged and will continue. The Soviet press had fulminated several times earlier this year that unspecified rightists in the SDP were working to reverse these policies. On the eve of the congress, Pravda replayed an item from Paivan Sanomat, the organ of the splinter left Social Democratic League, denouncing the major candidates for the secretaryship as anti-Soviet and arrant rightists.

There is speculation that the Soviets also discussed the secretaryship with party chairman Rafael Paasio during his trip to the USSR in May. Paasio made clear to the congress that he would resign as party chairman unless it chose his man Sorsa. [redacted]

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NOTES

International Communism: The divergent views apparent before and during the International Communist Conference are reflected in the vague and balanced formulations of the main conference document. Of the 75 parties represented, 61 approved the document in full and nine in part or with reservations; five parties did not sign. The document shows signs of the concessions Moscow had to make in order to gain the largest number of signatories and falls far short of being a coherent action program for the Communist world. Moscow is probably moderately pleased with the net result of the meeting and can find uses in its propaganda for some of the conference statements. There is nothing to indicate, however, that the meeting narrowed differences on either the right or the left of the Soviet position or that Moscow is now any better able to enforce discipline in the Communist world.

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South Korea: Students in Seoul have begun to agitate against changing the national constitution to permit President Pak to seek a third term in 1971. Possibly encouraged by the success of a student sit-in early this week, about 500 students at each of two leading Seoul universities held protest meetings yesterday. Student leaders may be probing the limits of official tolerance in preparation for off-campus demonstrations when the students return to school this fall.

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Indonesia-Australia: The two governments, seeking to avoid further border incidents over West Irian refugees who have fled to Australian territory, agreed in early June to establish radio communications between border patrol posts and between the two local capitals. They also agreed that local authorities would regularly hold bilateral meetings on border control matters. The Indonesian Army commander in West Irian has ordered his forces to refrain from crossing the border and to cooperate with their Australian counterparts.

Several border incidents occurred in April and May when overzealous Indonesian troops entered Australian territory in pursuit of West Irian disidents and fired upon Australian patrols.

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Greece: A major reshuffle of the cabinet may be announced shortly. Rumors circulating in Athens allege that the ministers of justice, finance, agriculture, and commerce are to be ousted along with several other high-ranking officials. All have a civilian background, but are generally undistinguished in their fields. The type of persons chosen as their replacements could provide a clue to the government's future plans in the economic sector.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 19 June 1969 approved the following national intelligence estimate:

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"The Outlook for Thailand"



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